



**Meezan Bank**  
The Premier Islamic Bank

Establish regular prayer and give Zakah (Al-Quran 73:20)

# Guide to **Zakah** Understanding & Calculation

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## Content

1. Meanings of Zakah
2. Benefits of Zakah
3. Retribution for not giving Zakah
4. Payer of Zakah
5. *Nisaab*
6. Zakah on Debts
7. Recipient of Zakah
8. Some Important rules relating to recipients of Zakah
9. Zakatable Assets
10. Zakah on Gold and Silver
11. Zakah on Cash
12. Zakah on trading assets
13. Intention of Zakah
14. The principal of *Tamleek*
15. Agency and Zakah
16. Zakah Calculator
17. Bibliography

## What is Zakah?

Lexically, the word Zakah covers two meanings.

1. Purification
2. Growth and increase

In the terminology of the Quran and Sunnah, Zakah is the portion of asset that is made mandatory to be spent in the ways specified by Allah Ta'ala.

## Benefits of Zakah

Zakah has two straightforward benefits.

Firstly, the payer himself gets purified from inner germs of the spiritual diseases.

Secondly, Zakah helps those who are not able to fulfill their needs independently. For e.g. orphans, widows, handicaps, poor people etc.

Allah Ta'ala says in Surah Taubah:

خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا وَصَلِّ عَلَيْهِمْ إِنَّ صَلَاتَكَ سَكَنٌ لَهُمْ وَاللَّهُ سَمِيعٌ عَلِيمٌ (103)

Take *sadaqah* (obligatory alms) out of their wealth through which you may cleanse and purify them, and pray for them. Indeed, your prayer is a source of peace for them. And Allah is (All-) Hearing, (All-) Knowing. (103)  
At-Taubah 9:103

This verse has explicitly mentioned the first benefit i.e. purification of inner self. The second benefit is not mentioned in this verse. It points to the fact that the real purpose and objective of paying Zakah is the purification of one's own self, though the second benefit exists in its inference. (Ma'ariful Quran)

## Retribution for not giving Zakah

Allah Ta'ala says in the Quran:

وَالَّذِينَ يَكْنِزُونَ الذَّهَبَ وَالْفِضَّةَ وَلَا يَنْفِقُونَهَا فِي سَبِيلِ اللَّهِ فَبَشِّرْهُمْ بِعَذَابٍ أَلِيمٍ (34)  
يَوْمَ يُحْمَى عَلَيْهَا فِي نَارِ جَهَنَّمَ فَيُكْوَى بِهَا جِبَاهُهُمْ وَجُنُوبُهُمْ وظُهُورُهُمْ هَذَا مَا كُنْتُمْ تَكْنِزُونَ (35)

“As for those who accumulate gold and silver and do not spend it in the way of Allah, give them the ‘good’ news of a painful punishment” (34) on the day it (the wealth) will be heated up in the fire of *jahannam*, then their foreheads and their sides and their backs shall be branded with it: “this is what you had accumulated for yourselves. So, taste what you have been accumulating.”(35)

At-Tawbah 9:34-35

The holy prophet (PBUH) said:

ما منع قوم الزكاة الا ابتلاهم الله بالسنين. (جمع الفوائد)

Every nation that does not give Zakah, Allah Ta’ala will afflict them with a drought.

Narrated Abu Huraira: Allah’s Messenger (PBUH) said,

عَنْ أَبِي هُرَيْرَةَ رَضِيَ اللَّهُ عَنْهُ قَالَ: قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ: مَنْ آتَاهُ اللَّهُ مَالًا فَلَمْ يُؤَدِّ زَكَاتَهُ مُثِّلَ لَهُ مَالُهُ يَوْمَ الْقِيَامَةِ شُجَاعًا أَفْرَعُ لَهُ زَيْبَتَانِ يُطَوِّقُهُ يَوْمَ الْقِيَامَةِ ثُمَّ يَأْخُذُ بِلَهْزَمَتَيْهِ يَغْنِي بِشِدْقِيهِ ثُمَّ يَقُولُ: أَنَا مَالِكَ أَنَا كَنْزُكَ ثُمَّ تَلَا: لَا يَحْسِبَنَّ الَّذِينَ يَبْخُلُونَ....الآية.

“The person whom Allah has bestowed with wealth, yet does not give its Zakah, on the Day of Judgment, his wealth will be turned into venomous bald serpent with two black spots over the eyes (or two poisonous glands in its mouth) which will wind around his neck and bite his jaws and say: ‘I am your wealth, I am your treasure.’ “Then the Prophet (PBUH) recited the holy Verse: “Let not those who covetously withhold....” (to the end of the Verse).  
Sahih Al-Bukhari Hadith 1315 and 4199

## Payer of Zakah

Zakah must be paid by the one who is:

- 1- Muslim
- 2- Major (*Baligh*)
- 3- Sane
- 4- Sahib-un-*nisaab* (owner of wealth above the level of *nisaab*<sup>1</sup>)

Above-mentioned four conditions are described respectively in the following lines:

<sup>1</sup> The description of *nisaab* in this write up is mentioned in the topic “Definition of *nisaab*”



- Zakah is not obligatory on a non-Muslim as Zakah is an *ibadah* (an act of pure worship) and a non-Muslim is not obliged to carry out the *ibadah* of Islam.<sup>1</sup>
- A person must be major to qualify as a Zakah payer. Minors are not under a *fard* obligation to perform acts of *ibadah* such as prayers (*salaat*) and fasting (*saum*) because they lack legal capacity. They are accordingly exempt from paying Zakah by reason of absence of legal capacity.<sup>2</sup>
- The Zakah payer must be sane. In this regard, two situations must be distinguished:
  - i. The child who at maturity is insane. In this case, the insane person upon regaining his intellect is exempt from payment of Zakah for the duration of his insanity. Liability for Zakah attaches to him from the time he regains his sanity and accordingly his Zakah year is calculated from such date.
  - ii. The person although sane at the time of maturity subsequently thereto becomes insane. In this case, if the insanity lasts for a whole year, the insane person is exempt from Zakah for this period, and his Zakah year is therefore deemed to commence from the date of recovery of sanity. On the other hand, if the insanity remains for a part of the year, then he is liable for the Zakah of that year.<sup>3</sup>
- *Nisaab* is described in the following lines.

### Definition of *Nisaab*

*Nisaab* is the threshold or line, which separates those who are duty bound to give Zakah from those who are not. In other words, *Nisaab* is the minimum amount of wealth whose owner is deemed to be wealthy in the conception of Shari'ah and Zakah is obligatory on him.<sup>4</sup> For example, one who owns 87.48 grams of gold or 612.36 grams of silver or its equivalent amount of cash or trading assets etc. is called *Sahib-un-nisaab* and it is obligatory on him to pay Zakah (i.e. 2.5% of his total zakatable assets) to those who deserve Zakah. A detailed description of those that are eligible to receive Zakah is described in the coming topic "Recipient of Zakah"

### Zakah on debts

Debts can be classified into two types:

1. Receivables i.e. owed to oneself e.g. Loans given to somebody.

<sup>1</sup> Hashiah Ibn-e-Aabideen pg: 259 vol: 2.

<sup>2</sup> Badai'us-sanai, Fatawa Hashiah Ibn-e-Aabideen pg: 258 vol: 2

<sup>3</sup> Badai'us-sanai. Pg: 382, Vol: 2

<sup>4</sup> Ahkam-e-Zakah by Mufti Muhammad Rafi Usmani مدظلہم pg: 11



2. Payable to others e.g. Money borrowed from somebody.

## Debts receivable from others

There are different types of debt receivables. The ruling of Zakah for each kind of debt receivable is different from the other. It is therefore pertinent to first understand all these types of debts receivable.

### Types of Debts Receivable

Imam Abu Hanifah (R.A.) has classified debts into three categories, namely:

1. Trade Debts
2. Non-Trade Debts
3. Other Debts

1. Trade Debts are called *dain qawiyy* (دين قوي) in the terminology of Islamic Jurisprudence. These debts are those that arise in respect of:

- (a) Trading stock sold and delivered in the ordinary course of business;
- (b) Moneys lent and advanced;
- (c) The loan of gold and silver.

For example, a trader sells goods (on credit) to another for purchase price of Rs.5,000/-; or A lends B Rs. 10,000/-. The ruling for this class of debts is that the creditor, upon receiving the amount owing to him, is obliged to pay Zakah for the entire preceding period of credit.

2. Non-Trade Debts are called *dain mutawassit* (دين متوسط). These debts are those that arise in respect of the sale of goods other than the trading stock. For example, the purchase price of the sale of personal clothing, or motor vehicle or land.

The preferable view, which is one of the two views narrated from Imam Abu Hanifah, in the case of such debts<sup>1</sup> is that Zakah is not payable for the preceding years but is only payable for the Zakah year calculated from the time of repayment of the debt.

3. Other debts are called *dain Zaeef* (دين ضعيف). These debts are those that do not arise from the sale of goods or property. For example, debts receivables in respect of inheritance, dowry, rentals, wages, and provident fund payments.

The ruling for this class of debts is that Zakah is not payable unless full amount is paid and one Zakah year passes thereon after payment. No Zakah is payable for preceding years.<sup>2</sup>

<sup>1</sup> As is mentioned in Badai-us-sanai (written by Allama Kasani, a well renowned Muslim Jurist) and in *Imdadul fatawa* pg: 46 vol: 2.

<sup>2</sup> Badai-us-sanai. Pg: 392, Vol: 2

## Debts payable to others

Zakah payer, in order to be *sahib-un-nisaab*, must be free of debts. If he is indebted to his creditors, then the amount of his debts must be deducted from the total value of those assets on which Zakah is levied. The balance remaining will be subject to Zakah. If there is no balance remaining, no Zakah is obligatory.

### Note

It should be kept in mind, that the ruling mentioned above regarding the treatment of debts payable is related to the person who is not a corporate businessman. However, if some one has a corporate business, then the ruling is that, only those debts are to be deducted from zakatable assets that have been utilized in purchasing fixed assets such as machinery etc. On the other hand, if debts of a corporate businessman are utilized in purchasing zakatable assets such as inventory etc., then they will not be deducted from the total value of the assets on which Zakah is levied.<sup>1</sup>

## Recipients of Zakah

The Holy Quran has fixed eight categories of recipients in verse 60 of the *Surah Taubah*. The Arabic text of the verse along with its translation is as follows:

إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَامِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي  
الرِّقَابِ وَالْغَارِمِينَ وَفِي سَبِيلِ اللَّهِ وَابْنِ السَّبِيلِ فَرِيضَةً مِنَ اللَّهِ وَاللَّهُ  
عَلِيمٌ حَكِيمٌ (60)

“The Sadaqat (prescribed alms) are (meant) only to be given to the poor, the needy, to those employed to collect them, to those whose hearts are to be won, in the cause of the slaves and those encumbered with debt, in the way of Allah and to a wayfarer. This is an obligation prescribed by Allah. Allah is All Knowing, Wise.” (60)

There is a consensus amongst the jurists that the disbursement of Zakah is solely confined to these eight recipients. The Holy Prophet ﷺ was once asked by a Companion to give the latter Zakah. The Holy Prophet ﷺ replied:

<sup>1</sup> *Islam Aur Jadeed Ma'ishat Aur Tijarat* by Mufti Muhammad Taqi Usmani مَنَظَّلُهُمْ . Pg: 64

إِنَّ اللَّهَ تَعَالَى لَمْ يَرْضَ بِحُكْمِ نَبِيٍّ وَلَا غَيْرِهِ فِي الصَّدَقَاتِ حَتَّى حَكَمَ فِيهَا  
هُوَ فَجَزَّأَهَا ثَمَانِيَةَ أَجْزَاءٍ فَإِنْ كُنْتَ مِنْ تِلْكَ الْأَجْزَاءِ أُعْطِيَكَ حَقَّكَ<sup>1</sup>.

“Allah has not assigned the right to distribute Zakah to any Prophet or any body else. He Himself has ordered about it and has fixed eight categories (of recipients). If you qualify as being from amongst these, I will give you your right.”

In the following lines, each of these eight categories have been described briefly.<sup>2</sup>

## The eight categories of Recipients of Zakah

### 1, 2) The poor, the needy (*Fuqara and Masakeen*)

The *Fuqara* and *Masakeen*<sup>3</sup> are extremely poor persons. The eligibility of receiving Zakah under this category is restricted to either of the following three kinds:

- Those who do not own any property or assets at all, or
- Those who do not own any property or assets in excess of basic necessity (For e.g. House, furniture and effects, personal clothing, servant, tools of trade), or
- Those who own property in excess of basic necessity, but the excess is below the value of *nisaab*.

These three kinds of people can receive Zakah and they are also not obliged to pay it. However, it must be kept in mind that the above mentioned three kinds are different from the following two classes:

- Those who own, in excess of basic necessity, property or assets on which Zakah is levied (such as gold, silver, cash, inventory) whose value after deduction of debts, equals or exceeds the value of *nisaab*. They are obliged to pay Zakah, and cannot receive it.
- Those who own, in excess of basic necessity, property or assets on which Zakah is not levied (such as diamonds, land which is not purchased for trade, etc) which equals or exceeds the value of

<sup>1</sup> Abu Dawood

<sup>2</sup> The description of the eight categories that is written in the following lines is the summary of a very detailed elaboration of these categories described in Ma'ariful Qur'an by Mufti Muhammad Shafi' Usmani (R.H) under verse 60 of *Surah Taubah*

<sup>3</sup> There is a difference between *faqeer* and *miskeen*. The description given in (a) in the following lines is the definition of *Miskeen* while (b) and (c) are defined as *fuqara*. However, the difference in the definition of *faqeer* and *Miskeen* has no relevance to Zakah, as both *faqeer* and *miskeen* are eligible to receive Zakah.



*nisaab*. They are not obliged to pay Zakah but at the same time, cannot receive it.

### 3) Collectors of Zakah (*Al-‘Aamileen*)

*Al-‘Aamileen* are those persons who are appointed by the Islamic State, or Muslim ruler, for the purpose of collecting Zakah. Zakah can be given to them as the salary for their efforts in collecting Zakah, even when they are *Sahibun Nisaab* or rich.

In regard to the rest of the seven categories of recipients, need is defined as a requirement and a rich person cannot be a recipient of Zakah. This is not the case with *Al-‘Aamileen* because the head of the Islamic State is responsible for the needs and welfare of the poor within his jurisdiction. He is therefore deemed to be their agent.

The *Al-‘Aamileen*, as employees of the head of state, are likewise agents of the poor and needy. It follows that the Zakah obligation is discharged as soon as the Zakah is paid by the Zakah payers to the *Al-‘Aamileen*. And the salary given to them is as if, given by the poor themselves. It is exactly like the case when a person, who is eligible to receive Zakah, hires an attorney and pays his fee from the Zakah he received.

### 4) Those whose hearts are to be won (*Al-Mu‘allafatu-Al-Quloob*)

This category of recipients refers to the poor and needy Muslims (*Fuqara* and *Masakeen*) who are given Zakah for the express purpose of strengthening their hearts and making them more inclined towards the Islamic practices. Non-Muslims are excluded in accordance with the general principle that they do not qualify as recipients of Zakah.

### 5) The cause of (freeing) the slaves (*Ar-Riqaab*)

The word *Riqaab* is the plural of *Raqabah*, which literally means “neck”. In Arabic usage, it is taken as a whole person, therefore refers to a slave.

The majority of the jurists are of the view that the word *Raqabah* mentioned in the verse is confined to the *Mokatab*. *Mokatab* is that slave who enters into a contract with his master in terms of which, the latter undertakes to free him against payment of a fixed sum of money. The view of the majority of the jurists is for the reason that in paying Zakah, the recipient must be made owner of the Zakah property. In addition, Zakah cannot be paid as consideration for services rendered on the part of the recipient.



In the case of disbursing Zakah to free a slave, the master becomes the owner of the Zakah in return for the slave's freedom. The slave himself cannot own property for want of legal personality. On the other hand, payment of Zakah to the *Mokatab* makes the latter owner thereof.

## 6) Debtors (*Gharimeen*)

The word *Gharimeen* is the singular of *Gharim*. It means debtor. The verse refers to a specific type of debtor, i.e. the one who is poor. A debtor can only be said to be poor and thus eligible to be the recipient of Zakah if his net assets (the difference between his assets and liabilities) is below *nisaab*.

## 7) The way of Allah (*fi Sabilillah*)

All interpretations narrated by the *Sahabah*<sup>1</sup> and *Tabi'een*<sup>2</sup>, regarding the word *fi sabilillah*, have expressively defined this word as either for *Mujahideen* or for pilgrims of *Hajj*. *Imam Ibne Jarir* and *Imam Ibn e Kaseer*, who restricted themselves to interpret the verses of the Holy Quran in the light of *Ahadeeth*, have particularized the word *sabilullah* with those *Mujahideen* and pilgrims of *Hajj* who do not have enough resources to perform their respective deeds.

On the other hand, some Muslim Jurists such as *Allama Kasani*,<sup>3</sup> have generalized the interpretation and extended the meaning of *sabilullah* to all good acts enjoined by the shariah. However, these Jurists have specifically described that the recipients must be poor and needy persons. Therefore, the jurists are unanimous on the point that Zakah cannot be spent on projects that would promote the interests of and be beneficial to the Muslim Community e.g. building of hospitals, roads, bridges and the like.

## 8) Wayfarer (*Ibn-us-sabil*)

This category refers to a traveler who, despite being wealthy at his place of residence, is in need during his journey. It is permissible to give such traveler Zakah to the extent of his needs. It is not permissible for such traveler to take Zakah in an amount which exceeds his needs and requirements. It is preferable for such traveler to borrow funds if he is able to do so than to accept Zakah.<sup>4</sup>

<sup>1</sup> The companions of the Holy Prophet ﷺ.

<sup>2</sup> The companions of the companions of the Holy Prophet ﷺ.

<sup>3</sup> The author of *Badai-us-sanai*.

<sup>4</sup> *Fathul Qadir* pg: 269 Vol: 2

## Some Important rules relating to the recipients of Zakah

- If someone owns cash, trading assets, gold and silver equivalent to the value of 612.36 grams of silver, he/she is considered as wealthy in Shari'ah, hence not eligible to receive Zakah.<sup>1</sup>
- If someone owns, in excess of basic necessity, an asset or property on which Zakah is not levied (such as diamond, vacant land - not for commerce) and the excess is equivalent or above the value of 612.36 grams of silver, he is also considered as wealthy in Shari'ah. He cannot receive Zakah but at the same time, is not obliged to pay Zakah.<sup>2</sup>
- If one has cloths or crockery that are not used for years but for once or twice, then these cloths or crockery will be considered as an excess of basic necessity. Hence if its value is equivalent or above the value of *nisaab*, the owner cannot receive Zakah.<sup>3</sup>
- The house in which one lives, the household furniture, servants, personal clothing and a motor vehicle, all are basic necessities. The owner of all these assets will not be considered as wealthy, no matter how expensive the assets are. Rather he is entitled to receive Zakah, if he does not have any zakatable asset equivalent to the value of *nisaab*.<sup>4</sup>
- If a person has given some of his houses on rent and he does not have any assets on which Zakah is levied, he can receive Zakah.<sup>5</sup>
- If a person has 20,000/- Rs. and he is indebted of 20,000/- Rs., he can receive Zakah. If, in the above case, he is indebted of less than 20,000/- Rs., then if the balance is equivalent or above to the value of *nisaab*, he cannot be given Zakah. And if the balance is less than the *nisaab*, he can be given Zakah.<sup>6</sup>
- Zakah cannot be given to a minor child of a rich person because such minor is deemed to be rich by virtue of the wealth of his father. If the child is major and needy, Zakah may be given to him irrespective of the financial standing of his parents.<sup>7</sup>
- Zakah can be given to a minor child whose father is not rich, but his mother is rich and wealthy because, a minor child is not considered rich by virtue of the wealth of his mother.<sup>8</sup>

<sup>1</sup> Fatawa Hindiyah. Pg: 189, vol: 1, Bahishti Zewar pg: 225

<sup>2</sup> Bahishti Zewar pg: 225.

<sup>3</sup> Hashiah Ibn-e-Aabideen (*Bab Masraf-iz-Zakah wal ushr*). Pg: 348, Vol: 2, Bahishti Zewar pg: 225

<sup>4</sup> Same as above.

<sup>5</sup> Same as above.

<sup>6</sup> Hindiyah pg: 188, vol: 1, Bahishti Zewar pg: 225

<sup>7</sup> Hindiyah pg: 189, vol: 1, Bahishti Zewar pg: 226

<sup>8</sup> Ad-durrul-Mukhtar (*Bab Masraf-iz-Zakah wal ushr*), Bahishti Zewar pg: 226



- Zakah can be given to a poor woman whose husband is rich.<sup>1</sup> Similarly, it is permissible to give Zakah to a poor person whose child is rich.
- There is consensus of the Muslim jurists that it is not permissible to give Zakah to non-Muslims.<sup>2</sup> Other forms of voluntary charity (sadaqah naafilah) may be given to them<sup>3</sup>.
- Zakah cannot be given to the children of *Banu Hashim*. These are descendants of the Prophet's family (i.e. the descendants of Hazrat Ali رضي الله عنه, Hazrat Ja'far رضي الله عنه, Hazrat Aqeel رضي الله عنه, and Hazrat Harith ibn Abd Ul Muttalib) and are commonly known as Sayyids.<sup>4</sup>

## Zakatable Assets

Allah Ta'ala has put the most minimum burden of monetary obligations on Muslims so that paying Zakah becomes convenient for every sahib-un-nisaab Muslim.

Firstly, it is not obligatory to pay Zakah on every asset. Rather only those assets are the subject matter of Zakah that have the potential of growth or increase. These assets may be broadly classified as follows:

- 1- Trading assets.
- 2- Cash & Cash Equivalent (like prize bonds, Travelers Checks etc)
- 3- Gold and silver
- 4- Livestock (goats, sheep, cows and camels)
- 5- Agricultural output.

The principle governing the levy of Zakah is that only those assets are zakatable, which fall within the definition of money, like silver and gold. All other assets are not zakatable unless they are meant for trade and resale.

Secondly, only the balanced value of these assets at the end of the year is the subject matter of Zakah. No Zakah is obligatory on the amount spent over the whole year.

## General conditions for all zakatable assets

### 1- Ownership

The subject matter of Zakah must be in the complete ownership of the

<sup>1</sup> Badai-us-sanai pg: 476, vol: 2

<sup>2</sup> Badai-us-sanai pg: 480, vol: 2

<sup>3</sup> Badai-us-sanai pg: 482, vol: 2

<sup>4</sup> Badai-us-sanai pg: 483, vol: 2



payer. If someone possesses an asset but does not own it, Zakah is not liable on it.<sup>1</sup>

**2- Potential of growth**

The asset must have the potential of growth as the word Zakah itself means “Growth” or “Increase”.<sup>2</sup>

**3- Asset must be in excess of basic necessity**

The subject matter of Zakah should be other than the basic necessities of a person. So the assets included in the basic necessities e.g. crockery, furniture, car etc are not the subject matter of Zakah provided that these assets are not purchased with the intention of sale.<sup>3</sup>

**4- One year must elapse over the asset**

It is necessary that one year elapses over the asset which is subject to Zakah.

It means that possession of *nisaab* value should be both at the beginning and end of a lunar year. It is not necessary that a complete year passes on every single rupee. Rather, when a person is *sahib-un-nisaab* in the beginning and the end of the year, then he will be considered as *sahib-un-nisaab* and the fluctuating amount during the year will not be considered as the subject matter of Zakah.

A detailed clarification of the highlighted portion is as follows:

If some one acquires a property before the completion of his Zakah year and he is the owner of the wealth above the value of *nisaab*, then one of the following situations may arise:

- a) The addition during the year is not the same kind or category as the existing property. For example, a person has gold or silver and thereafter during the course of the year acquires sheep.
- b) The addition is of the same kind or category as that of the existing property. This addition may be derived from the existing property, for example, profit arising during the year from sale of trading stock; or acquired from another source, for example, a person has cash and thereafter during the year acquires further cash by way of inheritance.

<sup>1</sup> Badai-us-sanai. Pg: 389, vol: 2

<sup>2</sup> Badai-us-sanai. Pg: 394, vol: 2

<sup>3</sup> Same as above.



In case 'a', the year for the gold or silver and sheep will be calculated separately.

However, in case b, the subsequent acquisition will be added or joined to the existing property for Zakah purposes and the Zakah for both will be paid together at the end of the Zakah year for the existing property. In other words, Zakah years will not be calculated separately for each subsequent acquisition in case 'b'.<sup>1</sup>

It should be kept in mind that if the subsequent acquisition is made after the expiry of the Zakah year, then a new year will be calculated. Similarly, if the existing property is below *nisaab*, the subsequent acquisition cannot be added to the existing property.<sup>2</sup>

#### **5- Asset must be equivalent to *Nisaab***

Zakah is not levied on total assets if they are below the level of *Nisaab*.<sup>3</sup>

### **Amount of Zakah**

The amount of Zakah payable is two and a half percent (2.5%), or 40<sup>th</sup> portion of:

1. the value of gold and silver if it is equivalent to *nisaab* or above it.
2. trading stocks, or its value at the time of obligation of payment of Zakah, if the stock is equal to *nisaab*.
3. cash on hand if equal to *nisaab*.

### **Zakah on gold and silver**

- Gold and silver are subject to Zakah regardless of whether they are owned for personal use or otherwise if the weight thereof equals the prescribed *nisaab* and one year elapses thereon. Gold and silver are also always liable to Zakah irrespective of the asset type (gold bar, jewellery, ingot, coin etc.)<sup>4</sup>
- Zakah is not payable on any other kind of jewels, gems or precious stones, such as diamonds, rubies etc. If these metals are, however, acquired for business, then Zakah will be payable thereon as they would then constitute trading stock.<sup>5</sup>
- If gold or silver is not pure, and some other commodity (such as copper etc) is added to it, then if the major portion of the

<sup>1</sup> Badai-us-sanai. Pg: 399, vol: 2

<sup>2</sup> Hindiyah. Pg: 175, vol: 1

<sup>3</sup> Badai-us-sanai. Pg: 403, Vol: 2

<sup>4</sup> Hindiyah. Pg: 178, Vol: 1

<sup>5</sup> Ad-durrul-Mukhtar. Pg: 273, 2

element is of gold or silver, it is considered as gold or silver respectively and Zakah will be obligatory on it. And if gold and silver is in minor proportion, then it is not considered as gold or silver and no Zakah will be obligatory provided that it is not purchased with the intention of sale.<sup>1</sup>

- If a person has some gold and silver and the independent amount of both of them does not reach *nisaab*, then if the combined value of gold and silver reaches *nisaab* of silver, the accumulated worth will be the subject matter of Zakah. And if the combined value of gold and silver does not reach *nisaab* of silver, Zakah is not obligatory.<sup>2</sup>
- If gold and silver reaches *nisaab* independently, then valuation of the combined value is not needed. Rather, in this case, Zakah of gold and silver will be paid independently from the other.<sup>3</sup>
- Someone has a complete *nisaab* of silver. He got some more silver or gold before the year completed. Zakah of that additional silver or gold will be obligatory alongwith the completion of the year of the already owned silver and gold<sup>4</sup> i.e. no additional or a complete year is required for Zakah being obligatory on that additional gold and silver.

For example, the Zakah year of a person ends on 1<sup>st</sup> Ramadan. On 25<sup>th</sup> Shaban he has some gold and silver of the value of one hundred thousand rupees (Rs. 100,000/-). On 29<sup>th</sup> Shaban, he purchased additional gold valued two hundred thousand rupees (Rs. 200,000/-). Now on 1<sup>st</sup> Ramadan, the value of zakatable gold and silver of that person would be three hundred thousand rupees (300,000/-).

- A person has cash equivalent to the *nisaab* of silver. Some amount of more cash is achieved before the completion of the year. Then the added amount of cash will be deemed as subject matter of Zakah after completion of the year of the previous amount.<sup>5</sup>

## Zakah on cash

- Cash is fully subjected to Zakah. It includes bonds, travelers' cheque, and other cash equivalents.<sup>6</sup>

<sup>1</sup> Badai-us-sanai. Pg: 408, Vol: 2

<sup>2</sup> Badai-us-sanai. Pg: 411, Vol: 2

<sup>3</sup> Badai-us-sanai. Pg: 414, Vol: 2

<sup>4</sup> Badai-us-sanai. Pg: 399, vol: 2

<sup>5</sup> Same as above.

<sup>6</sup> *Ahkam-e-Zakah* by Mufti Muhammd Rafi Usmani مدظلہم pg: 24





- If a person has cash equivalent to 87.48 gm of gold or 612.36 gm of silver, Zakah is obligatory on him, for cash comes under the same ruling as gold and silver in terms of paying Zakah.<sup>1</sup>
- If a person has some amount of cash, some gold, and some silver and neither of the three individually reaches *nisaab*, then the value of gold and silver will be added to the amount of cash, and if the combined amount reaches *nisaab*, Zakah is obligatory. If the combined amount does not reach *nisaab*, no Zakah is to be paid.<sup>2</sup>
- A person has cash equivalent to *nisaab*. He got some more cash a few days before completion of year. This more amount of cash will be subject to Zakah after completion of the year of previous amount of cash.<sup>3</sup>

For example, the Zakah year of a person ends on 1<sup>st</sup> of Ramadan. He has Rs. 30,000/- on 28<sup>th</sup> of Shaban. On 29<sup>th</sup> Shaban, he receives Rs. 5000/- more. Now the zakatable cash of that person on 1<sup>st</sup> of Ramadan would become Rs. 35,000/-.

## Zakah on trading assets

Zakah is payable on trading stock if their market value is equal to or more than the value of *nisaab*.<sup>4</sup>

## Definition of trading assets

Trading assets are those, which are purchased with the intention of resale or capital gain. Consequently, goods that have been purchased for personal use and not for the purpose of trade are not subject to Zakah, irrespective of their value.<sup>5</sup> Similarly, goods (other than gold and silver) originally bought for personal use are not subject to Zakah if the purchaser subsequently intends to sell them for trade and had not intended it at the time of purchase. Once sold, however, their sale price would be subject to Zakah<sup>6</sup>.

Likewise, a person may purchase goods for personal use with the intention that if he is able to obtain a profit thereon, he would sell the goods in which event, no Zakah is payable on such goods. On the other hand, if an asset is not purchased and is owned by some other means e.g. inheritance or gift, then the asset will not become the subject matter of Zakah.<sup>7</sup>

In short, trading assets are those that are:

<sup>1</sup> The rules of Zakah (Written by Muhammad Shoaib Omar) Pg: 41

<sup>2</sup> Badai-us-sanai. Pg: 411, Vol: 2

<sup>3</sup> Badai-us-sanai. Pg: 399, vol: 2

<sup>4</sup> Badai-us-sanai. Pg: 415, vol: 2, Ad-durrul-Mukhtar. Pg. 303, Vol: 2

<sup>5</sup> Badai-us-sanai. Pg: 395, vol: 2

<sup>6</sup> Badai-us-sanai. Pg: 396, vol: 2

<sup>7</sup> Ad-durrul-Mukhtar





- (i) purchased and
- (ii) purchased with the intention of sale.

If any of these two conditions is missing, the asset will not be treated as a trading one and thus will not be subjected to Zakah.

Following are some situations relating to Zakah on trading assets:

- *Nisaab* of trading assets is same as that of cash i.e. if the value of the assets reaches the value of 87.48 gm of gold or 612.36 gm of silver, then Zakah is obligatory after the completion of year.<sup>1</sup>
- If a person has a house that is leased, the value of the house will not be subject matter of Zakah, as leasing a property does not render it a trading asset. However, the rentals received will be the subject matter of Zakah.<sup>2</sup>
- Since the machines in the industries are not trading assets, therefore no Zakah is obligatory on them. However, if they are purchased with the intention of resale, then Zakah will be obligatory.<sup>3</sup>
- The products manufactured in an industry, as well as the raw material, are subject matter of Zakah.<sup>4</sup>
- If a person has some trading assets that do not reach *nisaab*, and then if he has some other zakatable assets such as gold, silver and cash, and the combined value of all zakatable assets reaches the value of 612.36 gm of silver, then Zakah is obligatory.<sup>5</sup>
- It is permissible for the Zakah payer to estimate a bulk price of the trading assets i.e. the market value of the stock-in-trade if sold in bulk at the end of the Zakah year, for purposes of calculating Zakah.<sup>6</sup>

## Zakah on Shares

If shares are purchased with the express intention for resale or capital gain, then the entire value of the shares is subject to Zakah.

If, however, the shares are purchased with a view to holding them as an investment and receiving the dividend income, then the following must be borne in mind.

<sup>1</sup> Badai-us-sanai. Pg: 415, vol: 2

<sup>2</sup> Fatawa QaziKhan (on the border of Hindiyah) Pg: 351, Vol: 1. Bahishti Zewar. Pg: 220

<sup>3</sup> Ad-durrul-Mukhtar. Pg: 265, Vol: 2

<sup>4</sup> Same as above

<sup>5</sup> Ad-durrul-Mukhtar. Pg. 303, Vol: 2

<sup>6</sup> The rules of Zakat (by Mohammad Shoaib Omar) Pg: 38.



Ownership of a company's shares confers undivided ownership in the underlying assets of the company. The holder is a proportionate owner of the business. All business assets can be classified into two types for the purpose of Zakah.

1. Fixed Assets e.g. Machinery, buildings, Furniture etc.
2. Current Assets e.g. cash, stock in trade, receivables etc.

Fixed assets are exempt from zakah whereas, current assets are subject to it. The owner of the shares can deduct from the Zakatable value a proportion equivalent to that of the liabilities and the fixed assets of the company. In other words, it is permissible for the owner of the shares in this case that he does not take into account the liabilities and non-zakatable assets such as plant and machinery etc. The way to ascertain the proportion of zakatable assets to non-zakatable assets of a company is to consult the balance sheet and profit and loss account. These documents are available as part of the company's annual report.

Zakah Payable (Z.P) = [Total Assets (T.A) MINUS Fixed Assets (F.A) MINUS Total Liabilities (L)] DIVIDED BY Total No. of Shares outstanding (S.O) MULTIPLIED BY 2.5%.

i.e.

$$Z.P = \frac{(T.A - F.A - L)}{S.O} \times \frac{2.5}{100}$$

The above mentioned detail is for the one who has the ability and resources to ascertain the exact amount of zakatable assets represented by the shares. However, if the calculation gets complicated for somebody, then he should consider the entire value of the shares as his zakatable asset and thus pay Zakah for it. <sup>1</sup>

## Summary

For a common person (one who is not involved in livestock or agriculture) all that needs to be taken into account for Zakah calculation is the following:

The amount of cash owned (be it on person, in the bank, or loaned out. This can be money earned or income from additional house, properties etc.) as well as the value of any gold or silver jewelry owned, (necklaces, watches, etc. but not the gems or stones within them), and also, if one is involved in trade, then the value of one's stock/merchandise at that time constitutes one's accountable total.

<sup>1</sup> *Islam Aur Jadeed Ma'ishat Aur Tijarat* by Mufti Taqi Usmani Sb. Pg: 63

Debts owed to others should be calculated too and then deducted from the total zakatable assets.

## Intention (*Niyyah* نِيَّة) of Zakah

The intention to give Zakah is a prerequisite for the discharge of the Zakah obligation (as in the case of *Salaat* and *Saum*). In the absence of such intention (whether due to ignorance or forgetfulness), the Zakah obligation is not discharged<sup>1</sup> and the amount paid over to the recipient will be deemed to be *Nafil sadaqah*.

The requirement of an intention to fulfill Zakah is necessary in order to distinguish payment of Zakah from other forms of compulsory and voluntary payments to poor and needy persons.

Following are some situations relating to the intention of Zakah.

- The Zakah obligation is discharged if the intention is made at either of two points of time:
  - (a) at the time of giving Zakah; or
  - (b) at the time of separating and setting aside the Zakah amount for distribution. In this case, the Zakah would only be discharged if the physical transfer to the needy recipient is made.<sup>2</sup>
- If a person gives an amount of money or property to a poor and needy person who does not own nisaab, and fails to make any intention at the time of such payment, but thereafter makes an intention of Zakah, then:
  - (i) if such property or money is still in the hands of the poor and needy person, the Zakah obligation will be discharged;
  - (ii) if the property or money is no more in the hands of the poor and needy person, the intention so made does not suffice and the Zakah obligation is not discharged.<sup>3</sup>
- If the Zakah payer or owner pays the Zakah amount to an agent for distribution to the recipients entitled and makes the intention at the time of such payment to the agent, then the Zakah obligation will be discharged if the agent gives Zakah to the poor without any intention on his part. This is because the intention of only the Zakah payer, and not that of his agent, is relevant for purpose of payment of Zakah.<sup>4</sup>
- A person pays the Zakah of another from the latter's property and without his permission, and thereafter such owner sanctions the payment. In such a case, if the amount paid is still in the hands of the needy recipient, the Zakah obligation is discharged. If not, the Zakah

<sup>1</sup> Ad-durrul-Mukhtar Pg: 268. Vol: 2

<sup>2</sup> Ad-durrul-Mukhtar Pg: 269, Vol: 2

<sup>3</sup> Ad-durrul-Mukhtar Pg: 268. Vol: 2

<sup>4</sup> Hindiyah Pg: 171, Vol: 1

obligation will not be fulfilled and the payment will be in lieu of *nafl sadaqah*.<sup>1</sup>

- A person gives an agent an amount of money for distribution as voluntary charity (*nafl sadaqah*). Prior to payment thereof by the agent to a poor and needy person (*faqir*), the owner makes an intention that the amount so given should represent Zakah in which event if such amount is thereafter given to the poor then the Zakah obligation would be discharged.<sup>2</sup>

## The principles of *At-Tamleek*

*At-Tamleek* (التملك) means the transfer of ownership of Zakah from the Zakah payer to a poor and needy person. It is, in the context of Zakah, subject to the following conditions:

- i) The transferor must be the Zakah payer (or his agent).
- ii) The transferee (or recipient) must be a natural person entitled to receive Zakah in terms of the eight categories of the recipient of Zakah.
- iii) The transfer of Zakah must be unconditional.
- iv) The transfer of Zakah must not be a consideration for services rendered by the recipient.
- v) The transferee (or recipient) must acquire physical possession of Zakah and thereby becomes the owner thereof.

If these conditions are not met, as for the instance where Zakah is paid as salary or used for building a mosque, the Zakah obligation is not discharged.<sup>3</sup>

There is consensus amongst all the four schools of thought that Zakah cannot be used for public welfare projects. The position is summarized by Imam Abu Ubayd Qasim Ibn Sallam<sup>4</sup>, is as follows:

*In relation to paying the debts of a deceased person, or paying his burial expenses, or building a mosque, or digging a stream, similar public welfare schemes-Hadrat Sufyaan Thuri, and all the Ulama of Iraq and other Ulama are unanimous on the point that these works cannot be undertaken with Zakah money because they are not included in the eight categories of recipients mentioned by the Qur'an.*<sup>5</sup>

<sup>1</sup> Badai-us-sanai. Pg: 460, Vol: 2 Hindiyah. Pg: 171, Vol: 1

<sup>2</sup> Badai-us-sanai. Pg: 460, Vol: 2

<sup>3</sup> Ad-durrul-Mukhtar Pg: 256-258, Vol: 2

<sup>4</sup> Imam Abu Ubayd Qasim Ibn Sallam (154H-224 H) was regarded as one of the most learned scholars of his times. He was the author of many works including his well known book on Zakah "Kitab-ul-Amwaal".

<sup>5</sup> Kitab-ul-Amwaal, p. 610.



## Agency and Zakah

One is not obliged to distribute the Zakah by himself to the entitled recipients. He may validly appoint an agent (whether natural person or organization) to pay the Zakah on his behalf.

In appointing such an agent, the Zakah payer must bear in mind that the Zakah obligation is not discharged if the agent fails to distribute the Zakah to the entitled recipients. At the same time, possession of the Zakah amount by the agent will be deemed to be possessed by the principal (Zakah payer) as in the case of those organizations, who are guilty of serious maladministration by collecting Zakah and not distributing the same for a number of years without valid reason.

It follows that the Zakah payer must exercise utmost care in appointing an agent who must be both trustworthy and also conversant with the laws of Zakah.<sup>1</sup>

The agent, unless instructed to the contrary, may validly give Zakah to his wife and children if the latter do not own *nisaab*. On the other hand, the agent himself cannot take Zakah unless he has the express authority to do so. For example, he may take Zakah if the Zakah payer gives him a mandate in the following terms: "Pay Zakah to whomsoever you wish".<sup>2</sup>

## Zakah on the employees' provident fund

If the salary of the employee is deducted at source, without giving this amount to the employee, Zakah is not payable on the amount kept in the Employees' Provident Fund, until the employee receives the same. When an employee receives it on his retirement, the amount so received shall form part of his zakatable assets of that year only, and such part of it, that is not spent before the valuation date, shall be subject to Zakah, and Zakah will be payable on the aggregate balance of his assets (including the balance of the amount received from the Fund) on the valuation date.

If, on the other hand, the employee first receives this amount and then with his own intention, puts this money in the provident fund, then this money will become the subject matter of Zakah. And Zakah will be obligatory for all the years in which the money is kept in the fund.<sup>3</sup>

<sup>1</sup> *Ahkam-e-Zakah* by Mufti Muhammad Rafi Usmani مدظلہم pg: 38, The rules of Zakah (Written by Muhammad Shoaib Omar) Pg: 37

<sup>2</sup> *Ad-durrul-Mukhtar* Pg: 269, Vol: 2

<sup>3</sup> *Contemporary Fatawa* by Mufti Muhammad Taqi Usmani مدظلہم Pg: 86



In other words, the amount received from the Provident Fund must be held for one year before Zakah is payable thereon. If the recipient has existing zakatable assets equal to *nisaab*, then the amount received from the Provident Fund will be added thereon and the whole amount, or the balance remaining (in case of expenditure) will be subject to Zakah of the next valuation date. For example, the Zakah payer's valuation date is 1<sup>st</sup> day of Ramadaan each year, and he receives the lump sum from the Provident Fund two months before that date. The lump sum will be added to his existing *nisaab*, and he will pay Zakah thereon on his valuation date next, namely, 1<sup>st</sup> day of Ramadaan.<sup>1</sup>

## Zakah to the charitable hospitals

If Zakah is paid to a charitable hospital, certain arrangements must be followed otherwise Zakah will be void.

Every Zakah deserving patient should appoint the management of the hospital as his agent to receive Zakah and spend it on procurement of the medication and paying cash against other expenses incurred against his treatment. This can be done through filling a form before the treatment of the patient.

If a charitable hospital follows this arrangement, Zakah can be given to it. Otherwise, in the case where no agency agreement is made, Zakah will be void.

## An example of calculation of Zakah

A person 'X' is a manufacturer of clothing. He has the following assets and liabilities at the end of the Zakah year.

<b>Assets</b>	<b>Amount</b>
1. House	2,000,000
2. Furniture & Household Effects	25,000
3. Motor Vehicle	600,000
4. Gold	100,000
5. Diamonds	50,000
6. Cash	1,500,000
7. Stock-in-trades	1,000,000
8. Machinery	500,000
9. Receivable from others	800,000
10. Vacant Land	800,000
<b>Liabilities</b>	<b>Amount</b>
11. Bank overdraft	50,000

<sup>1</sup> Footnote on the Contemporary Fatawas Pg: 86




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12. Trade creditors	500,000
13. Loans	700,000
<b>Total Liabilities</b>	<b>1,250,000</b>

**Calculation of Zakah**

Assets subject to Zakah

1. Gold	100,000
2. Cash	1,500,000
3. Stock-in-trades	1,000,000
<b>Total</b>	<b>2,600,000</b>
<b>Less Liabilities</b>	<b>1,250,000</b>
<b>Balance</b>	<b>1,350,000</b>
<b>Two and a half % of 1,350,000 is</b>	<b>33,750</b>

**Hence X is obliged to pay 33,750 as Zakah.**

**Notes**

1, 2 and 3: the house, furniture and fittings and motor vehicle are not subject to Zakah unless they are purchased for trade.

4: Gold is subject to Zakah whether for personal use or otherwise.

5: Diamonds, precious stones and metals are not subject to Zakah unless acquired for trading purposes. The same applies to all metals other than gold and silver.

6 and 7: Cash and stock in trades are subject to Zakah by consensus of jurists, because they are assets capable of growth through commerce and economic activity.

8: Machinery is a means of production which depreciates in value over time and is not an asset capable of growth. Hence, they are not subject to Zakah.

9: Account Receivables from others are subject to Zakah but the obligation to pay Zakah thereon only arises upon receiving of the debts in question in which event, the Zakah of preceding years must also be paid on such debts.

10: Zakah is not obligatory on land unless acquired for trade. Even if they are purchased for rent, Zakah is not obligatory.

11, 12 and 13: These debts must be deducted because the assets of the debtors are correspondingly exposed to the claims of creditors, according to Hanafi Law. However, if the mortgage bond or bank overdraft or other long term liability is of such a large amount so as to nullify the Zakah liability then such debts must not be taken into account according to Shafi law.





## Zakah Calculator

Date of calculating Zakah    ..../../.....

Assets	Totals	
	For Example	Your own Case
Cash in hand	10,000	
Total amount deposited in Banks	20,000	
Account Receivables	10,000	
Rental income accrued	5,000	
Net Asset value of Bonds	25,000	
Total value of Saving certificates	30,000	
Market value of Gold & Silver (total)	40,000	
Present value of the property (that is purchased for the purpose of resale)	100,000	
Inventory (Trading Goods)	50,000	
Raw material and work in progress	20,000	
Finished Goods	30,000	
Shares (that are purchased for trade) <sup>1</sup>	40,000	
<b>Total Assets</b>	<b>380,000</b>	
<b>Liabilities</b>	<b>Totals</b>	
Total Amount/Accounts/Notes payable	100,000	
Unpaid Rentals	10,000	
Unpaid Salaries	20,000	
Any other Dues (For e.g. Unpaid tax, utility bills etc.)	10,000	
<b>Total Liabilities</b>	<b>140,000</b>	
Total Assets - Total Liabilities = Net Assets * 2.5% = Zakah Payable	6,000	

<sup>1</sup> If shares are purchased for Dividend only, then Zakah is payable only on their distributed dividends and of the company's liquid asset. For further details, please see the section 'Zakah on Shares'.



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